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Question No. 3

Summary of
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DIFFERENTIALS BETWEEN U.S. AND MULTILATERAL CONTROLS

SUMMARY

a. Nature of Differentials. The following differentials between U.S. and multilateral or other national controls now exist.

1. Commodities. The U.S. embargoes to the bloc certain commodities (items over which the U.S. controls a major part of the supply or items which are politically delicate) which multilaterally are under lesser or no control. The U.S. has licensing controls on all exports, strategic and non-strategic, to the bloc. Most other countries also have licensing controls over non-strategic commodities, but not for strategic reasons.

2. Technical Data. The U.S. controls all unclassified technical data, except that which is generally available to the public, to the bloc, and also controls certain categories of unclassified technical data to friendly countries. Multilateral controls of unclassified technical data to the bloc are negligible, except perhaps data related to IL I items, and other countries do not have official controls over the export of unclassified technical data to friendly countries.

3. Destinations. The U.S. has a virtually complete embargo on all exports to and imports from Communist China. Other countries have only multilaterally-agreed selective export controls and no import controls, at least no import controls based on strategic considerations.

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The U.S. has more strict controls than other countries over exports to Austria, Finland, Indo-China, Hong Kong, and Macao. The U.S. is the only country which has a program of strategic controls over exports to cooperating friendly countries.

4. Finance. The U.S. blocks the financial assets of Communist Chinese and North Korean nationals, prohibits remittances to these countries, and prohibits dollar transactions in which such nationals are involved. There are no multilaterally-agreed financial controls, nor do other countries impose similar financial controls over Communist China and North Korea.

5. Ancillary Controls. The U.S. interprets and applies the IC/DV and TAC schemes, which have been approved by COCOM, more broadly than other countries and, in addition, requires consignee assurances and end-use checks in appropriate cases. The U.S. has more stringent bunkering controls and restricts the movement of U.S. flag ships and aircraft.

6. Battle Act. Through the Battle Act, which provides for the termination of aid to countries which do not cooperate in controlling strategic trade, the U.S. can unilaterally exert pressure to obtain compliance by other countries with trade control programs satisfactory to the U.S. Other countries, such as the U.K. and Canada which grant aid to Asian countries through the Colombo Plan, do not have any similar legislation making strategic trade controls a condition of granting economic or military aid.

b. Advantages and Disadvantages of Differentials.

1. Arguments for Differentials. The U.S. has always taken the position that internationally-agreed controls represent a basic minimum degree of control and that any country is free to exercise more comprehensive controls. In line

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with this position the U.S. exercises a higher degree of control than does COCOM over a number of commodities. The implementation of this policy necessarily requires broader controls over related aspects of East-West trade, such as technical data, controls to certain destinations, financial and other ancillary controls. The stricter controls over these elements of trade, not only for exports to the bloc, but also for exports to friendly countries, are necessary to prevent the frustration, directly or indirectly, of the more extensive basic commodity controls which the U.S. exercises. Inasmuch as international controls are considered as a minimum level, it is not inconsistent for the U.S. to agree in COCOM, perhaps reluctantly, to a certain level of control and then seek through unilateral action to achieve a higher level of control. The more stringent U.S. controls, both to the bloc and to friendly countries, have undoubtedly had some influence on limiting exports to the bloc of some commodities on which the U.S. has advocated an embargo but which were not agreed for embargo by COCOM.

2. Arguments against Differentials. Unilateral control by the U.S. is often ineffective because almost every commodity or product, or at least a similar one, can be obtained from sources other than the U.S. This has become increasingly apparent since the restoration and expansion of industry in Western Europe.

Other countries do not share the view of the United States that the controls agreed by COCOM are a minimum level and resent the efforts on the part of the U.S. to achieve by unilateral coercion a higher level of control than the COCOM countries, including the U.S., have agreed to. They think it

inconsistent of the U.S. to advocate a control program based on unanimity in an international organization (COCOM) and at the same time take unilateral control measures which conflict with the agreed control system.

The stricter controls of the U.S. have the effect of discriminating against U.S. business interests without achieving any perceptible security advantages. The U.S. policy of virtually complete embargo on all commodities rated by the U.S. as "strategic" (even in cases where exports of moderate quantities would entail little or no security risk), as well as a somewhat confused policy with respect to "non-strategic" trade, make it impossible for the U.S. to exercise any influence on the attitudes and minds of industrial and government leaders in the bloc through trade and business contacts. While the possibility of exercising such influence in the Soviet Union itself is probably negligible in any event, a more flexible trade policy might open up significant opportunities of this nature in the satellite countries.

c. Recommendations. Any significant widening of the differentials between the controls of the U.S. and those of the COCOM countries would probably aggravate relations with our allies, and thereby more than offset the benefits of any tightening of controls over trade with the bloc. Consideration should be given to lessening certain differentials, particularly with respect to controls over technical data to friendly countries and licensing requirements for the export of non-strategic goods to the bloc. Also the U.S. policy of embagoing certain items, which have been agreed by COCOM for so-called "surveillance" only, might be reviewed from the standpoint of possible benefits if the U.S. engaged in such trade to a limited extent, as against the possible

weakening of security interests, if any, that this might entail. Consideration should also be given to a careful review of U.S. controls over exports to friendly countries, i.e. the so-called "anti-frustration" controls. These controls probably contribute the least to Western security and, of all the types of East-West trade controls, they certainly contribute the most to Western misunderstanding and ill feeling. Relaxation of these controls to friendly countries would undoubtedly have a salutary effect on the inclinations of such countries to cooperate in improving the international control system.